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RETIREMENT POLICIES AND PRACTICES

A. Civil Service Retirement System

1. Prior to January 1960.

The Central Intelligence Agency did not have a formal retirement policy prior to January 1960. Employees remained in service until they elected to voluntarily apply for retirement or were eligible for mandatory retirement under the provisions of the Civil Service Retirement Act.

2. "Early retirement" policy.

The Agency's early retirement policy for employees covered by the Civil Service Retirement Act makes it mandatory for employees to retire when they first become eligible to do so on a full annuity. "....it is the practice in this Agency that an employee will normally retire when he becomes eligible for retirement unless he is asked to remain in service." This is a direct quote from Agency Notice [redacted], Civil Service Retirement, published 5 January 1960.

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The chronological history of the establishment of the above policy is as follows. In 1959 the Career Council of the Agency decided that, in the interests of sound and equitable personnel management and from a manpower point of view, it should become accepted practice for Agency employees to retire when they

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are eligible unless they are asked to remain in service. (This was as a result of the "hump" survey.) The Career Council at that time proposed to the Director of CIA that Notice [redacted] be published stating the Agency retirement policy. The Director approved the policy and the notice was issued.

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Generally speaking, the new policy came as a shock to the employees who were eligible at that time or would be eligible during 1960. In the course of implementing this policy some of the procedures used to help reduce the initial shock were:

- (a) Deputy Directors were authorized to grant extensions to those individuals under their jurisdiction who possessed unusual qualifications and skills.
- (b) The Agency recognized the problems and hardships which immediate retirement would cause and established an eighteen-month planning period for employees who considered this necessary.
- (c) The Agency Retirement Board was prepared to handle cases involving compassionate circumstances.
- (d) Eligible employees were encouraged and requested to seek advice and guidance from the Executive Secretary of the Board.

The activity resulting from the retirement notice immediately focused attention on the need for pre-retirement planning on the part

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of the employee and counseling as a service of the Agency. The Executive Secretary of the Agency Retirement Board was charged with the function of notifying each individual five years in advance of his pending retirement and inviting him to contact the Executive Secretary of the Board for advisory service.

a. Age 60-30 years, age 62-5 years or more.

At the time, under the Civil Service Retirement Act, this policy meant that employees would have to retire at age 60 if they had at least 30 years of service or at age 62 with at least 5 years of service. This same policy recognized the following two bases on which exceptions could be made to permit employees to remain on duty beyond their scheduled retirement date: (1) If an employee's services were needed or if he possessed special or unique qualifications, or (2) If the employee would suffer undue personal hardship by being forced to retire at the scheduled time. This policy immediately affected many employees who had not prepared for retirement and for this reason the Agency was lenient in granting exceptions during the first few years. By 1963, primarily because of the practice of alerting employees five years in advance, the policy became established and was generally accepted by those Agency employees affected. Except in isolated instances, employees did not resist when they received their five-year notification.

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b. Establishment of Agency Retirement Board.

In the late summer of 1959, The Director of Personnel obtained the agreement of the Career Council to proceed with the establishment of an Agency Retirement Board. The plan for such a Board was to provide for careful consideration of the retirement plans of Agency employees as they reach an age at which their length of service qualifies them for optional retirement under the Civil Service Retirement Act. It would be designed to bring about a judicious review of the individual's current and prospective usefulness to the Agency if he were to remain until mandatory retirement, his own plans and personal arrangements for retirement, etc.

The Retirement Board would be composed of three members, one representing DDI, one DDP, and one DDS; the members would elect the Chairman of the Board from among themselves. A representative of the Medical Staff and the Chief, Benefits and Services Division, would serve as advisors. A representative of the career service concerned would be invited to discuss each case with the Board. The Chief, Personnel Operations Division would serve as Executive Secretary to the Board and POD would administratively support the Board.

The procedure would be as follows:

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(1) Benefits and Services Division will identify those individuals whose age and length of service qualify them for optional retirement. The names of such individuals would be referred to the Personnel Operations Division.

(2) POD, working through the Clandestine Services Personnel Division regarding individuals in the Clandestine Services Career Service, would consult with each individual's career service to determine whether he might be approached concerning immediate retirement, or, possibly, reassignment to a less demanding job.

(3) POD would then refer those names selected by the career services for retirement consideration to the Special Assistant to the Director of Personnel (whose review will include legal aspects), to the Office of Security, the Medical Staff, and the Assessment and Evaluation Staff for comment or information pertinent to the Board's consideration.

(4) The names would then be brought up with the Retirement Board for discussion and determination regarding whether the individuals should be approached concerning optional retirement. No individual will be approached without the approval of the Board and the concurrence of his career service.

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(5) When it has been determined that an individual should be approached, POD will do so, after confirming that his supervisor has been informed of this intention. In discussing prospective retirement with the individual, POD will refer him to BSD for specific advice on his retirement benefits and counseling on personal planning for retirement if desired. Also, if appropriate, he will be referred to the Out Placement office for advice and assistance in locating other employment.

(6) When a reasonable period of time has elapsed and an individual has not followed through on retirement or if he has expressed reluctance or unwillingness to do so, he will be afforded an opportunity to present his case to the Retirement Board which will determine whether he should be retained or referred to the Special Assistant to the Director of Personnel to institute involuntary separation proceedings.

Notice [redacted], published 5 January 1960, established the Agency Retirement Board will the following functions:

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(1) The counseling of all employees who have reached voluntary retirement age and those who are about to reach that age concerning their accrued benefits, privileges, and obligations.

(2) Discussion with the employee of his plans to retire.

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(3) The systematic review of the retirement plans of each such employee.

(4) Ensure uniform application of the retirement policy and consider the cases of employees who feel that retirement would create undue hardship for them.

The initial appointments to the Agency Retirement Board were: Mr. Lawrence H. Houston, Chairman; [redacted] Member; and Mr. Otto E. Guthe, Member.

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B. CIA Retirement and Disability System

The Agency decision to request "early retirement legislation" for certain of its employees was based on extensive study of the problems of security, cover arrangements, and health which are encountered in carrying out many of the Agency missions in foreign areas. This study revealed that these problems tend, in most cases, to become acute beyond the age of 50, that the skills and experience acquired abroad are not readily utilized in any quantity in headquarters, and that the interest of the Agency and the individual would, in some cases, be served by the individual's retirement from the Agency at the time that his effectiveness in this type of service was being reduced because of security, cover and health problems.

The basic provision of the CIA Retirement Act is that it permits an individual at age 50, with 20 years of Government service, including 10 years of Agency service and 5 years of "qualifying service" to retire without a reduction in annuity for age. In contrast, when an employee under the Civil Service system of comparative age and service (whether Agency or "qualifying" is not relevant) is terminated, if termination is not for cause, he becomes eligible for an immediate but reduced (10% - 15% to July 1966 - in the case of the individual age 50) annuity. In Congressional hearings leading to the enactment of "early retirement" legislation, the problems of security, cover,

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and health which are encountered and reduce the effectiveness of an officer beyond the age 50 were emphasized and weighed heavily with Congressional sponsors and supporters of the act.

Early in an Agency career the individual who meets the primary requirements of "serving in a career field which normally requires the performance of minimum period of qualifying service as an integral part of a career in that field" will usually be moved out of the Civil Service system and into the CIA system. To ensure that he continue to qualify as a participant in the CIA system, his record will be reviewed periodically (at the fifth and tenth anniversary of designation as a participant and at the fifteenth anniversary of his entrance on duty in the Agency). Such reviews will confirm that he meets the criteria for participation in the system and has in fact served required minimum periods of qualifying service. When he has completed fifteen years of service in the Agency and has met all of the requirements of the CIA system (normally including 5 years of qualifying service), he will be able to exercise a choice to remain in the CIA system for the remainder of his career or to request his return to the Civil Service system.

The underlying premise of the CIA Retirement Act is that the combination of the problems encountered in performing "qualifying service" beyond the age of 50 and the inducements of early retire-

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ment benefits under the CIA system would result in a sufficient number of voluntary retirements at or soon after age 50 to permit the Agency to maintain an appropriate balance in the career groups performing the service related to this act. The provision for involuntary retirement under the act is to ensure that any necessary further adjustments can be made with equitable annuities. Implicit in the CIA Retirement Act then is the intent of the Agency to achieve a higher incidence of retirement at or soon after age 50 from within the ranks of the CIA system than from the Civil Service system. Thus, the choice exercised by the individual in the CIA system after 15 years of Agency service is an important one. A choice to remain in the Agency system automatically places him in a category of careerists from which a higher rate of early retirements, whether voluntary or involuntary, will occur; this choice also assures him of whatever career advantages--including those provided by the CIA Retirement Act--accrue from being a member of this group of careerists. A choice not to remain, however, provides no assurance of a longer career.

Heretofore, employees of the Agency have been covered by the Civil Service Retirement System. The benefits of this system are appropriate for those individuals whose conditions and terms of service are comparable to those of Federal employees generally. All employees will continue to initiate their careers in the Agency under the Civil Service system. Those who are not designated to participate in the CIA system will remain in and be retired under the Civil Service system.

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To enter the CIA system the individual must have demonstrated intent, early in his career, to perform what is described in the broad language of section 203 of Public Law 88-643 as "qualifying service." To remain in the CIA system he must periodically have performed minimum periods of "qualifying service." And to be eligible for retirement under the CIA system he must have completed at least 5 years of "qualifying service."

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[redacted] goes much further than Public Law 88-643 in defining "qualifying service" and provides sufficient criteria for judging in most instances the qualifications of an individual for entrance into, remaining in, and being retired from the CIA system. However, both the act and the regulation permit, and indeed require, considerable interpretation in their application to a limited number of employees whose duties do not, for one reason or another, fit neatly into the easily identified types of "qualifying service."

For example, most duty performed overseas (outside of the 48 continental states and the District of Columbia) is "qualifying service." However, there may be a few instances in which service overseas will not be considered "qualifying service."

The act and the regulation also permit service in the United States which is performed under conditions similar to those of service overseas to be considered "qualifying service." Precise criteria cannot be established for determining the conditions of

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domestic service which would place such service in a qualifying category. These standards will evolve in a case-by-case review of those few individuals nominated for participation on the strength of domestic service believed by their Career Services to be "qualifying." Such unusual circumstances as extremely adverse living and working conditions, and demonstrable hazard to life or health may be pertinent to these determinations.

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[redacted] also contains in subparagraph b(11)(c) a criterion of "qualifying service" based on the performance of duty "on a continuing basis which would place the individual at a distinct disadvantage in obtaining other employment...." Application of this standard requires determinations based on conditions at a time when the individual seeks to enter other employment and on retrospective consideration of his Agency career in light of current conditions. This standard was included to provide for those rare cases when the Agency might be obliged to release, short of normal retirement age of 60 or so, an individual whose Agency experience was completely unrelated to any other field of employment or who could not be permitted to give even general information defining the scope, level, and nature of his Agency experience.

Clearly the Agency has been given the broadest possible latitude for defining "qualifying service" to permit granting

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the benefits of the CIA system to those employees whose service merits such benefits. While the standards for determining "qualifying service" will be more clearly defined with experience in applying the act and the regulation, it is unlikely that they will become so precise that a factor of judgment will not be required. Additionally, the dynamics of intelligence work in a changing world demand that the criteria in making judgments in the context of the act be periodically reviewed.

1. Legislation of 13 October 1964, Public Law 88-643

Public Law 88-643, titled "The Central Intelligence Agency Retirement Act of 1964 for Certain Employees," represents the first major action in establishing a "system" within the Agency which recognizes the special character of the service performed by employees concerned with the conduct or direct support of clandestine and covert activities. This law, enacted by the 88th Congress, offers special benefits to those Agency employees "whose duties are determined by the Director to be (i) in support of Agency activities abroad, hazardous to life or health and (ii) so specialized because of security requirements as to be clearly distinguishable from normal Government employment."

The CIA Retirement and Disability System not only provides substantially all of the benefits of the Civil Service Retirement System but in addition offers the following distinct advantages:

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- (A) Voluntary Early Retirement: A participant in the system may, with the consent of the Director, retire upon reaching age 50 if he has at least 20 years of creditable Federal service including at least 10 years of Agency service which includes at least 5 years of qualifying service.
- (B) No Reduction in Annuity for Retirement Before Age 60: * Under the Civil Service Retirement System, all retirement below age 60, except disability retirement, requires a reduction in annuity. The reduction is 2% of annuity for each year the retiree is under age 55. There is no reduction in annuity under the CIA Retirement System before reaching 60.
- (C) More Liberal Annuity Computation Formula: Under both the CIA and the Civil Service Retirement Systems, an annuity is based on the individual's "high-5 salary," that is, his average salary for his highest paid 5 consecutive years of service. However, under the Civil Service Retirement System, the annuity is computed at 1.5% for the first 5 years of service, 1.75% for the second 5 years, and 2% of high-5 for all remaining years of service. Under the CIA Retirement System, the annuity is computed at 2% of high-5 for all years of service.

* Changed to age 55 by PL 89-504, 18 July 1966.

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2. Establishment of CIA Retirement Board

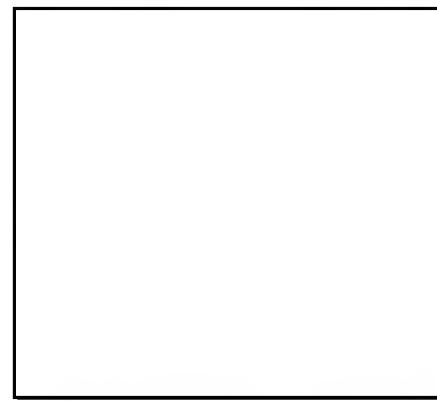
Effective 27 April 1965 a CIA Retirement Board was established to assist and advise the Director of Personnel in the administration of the CIA Retirement and Disability System [redacted] dated 24 June 1965).

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Effective the same date Mr. Emmett D. Echols was appointed Chairman of the CIA Retirement Board. The other members of the Board appointed by the Director on the basis of proportional representation by Directorate are as follows:

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Plans Directorate



Intelligence Directorate

Science and Technology Directorate

Support Directorate

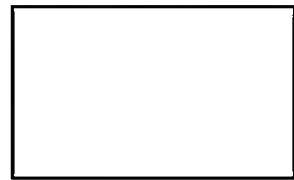
A CIA Retirement Staff was established in the Office of Personnel to provide staff and secretariat support in the administration of the CIA Retirement System.

In addition, the services of the following staff advisers were made available to the CIA Retirement Board:

Legal Adviser

Technical Adviser

Finance Adviser



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3. Selection of Participants into CIA Retirement System

In anticipation of the issuance of Headquarters Regulation

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██████████ CIA Retirement and Disability System, the Director designated the members of the CIA Retirement Board and requested that they review plans for initiation and administration of the System. Procedures were adopted to implement the System -- the first step being the identification of on-duty employees eligible for participation.

The first group of employees to be screened were those who were eligible for immediate retirement if they otherwise qualified as participants. The Head of each Career Service was provided with a computer listing of those employees in his Career Service who would be 50 years of age or over as of 31 December 1965 and who, would have 20 years or more of Federal service and 10 years or more of Agency service. (Subsequent listings included the younger age groups.) The listing showed the total years and months of overseas service with the Agency. In order to expedite the designation process, the Board requested that the Career Services initially nominate employees for whom all, or preponderantly all, qualifying service has been "overseas" service. This was to facilitate the prompt handling of the most probably eligible cases in contrast to those which may depend on a more precise examination of non-overseas service which may be qualifying. However, the Career Services were not precluded from submitting exceptional or urgent cases of the latter nature to the Board for review and appropriate action.

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It was recognized that many of the employees named in the computer listing would clearly not meet the service criteria for nomination as participants in the System. In order to simplify the processing of those cases, it was requested that the names of such employees be "red-lined" or otherwise distinctively marked on the roster and that a copy of the roster so marked be returned to the CIA Retirement Staff. The CIA Retirement Staff was responsible for the preparation of a memorandum or dispatch, as appropriate, notifying each of the employees of the determination that he does not qualify for designation as a participant in the System and of his right to appeal such determination to the Director. These notices were forwarded to the individual through the Head of his Career Service.

In those instances in which it was determined that an employee appeared to meet the service criteria for designation as a participant in the System on the basis of qualifying service performed overseas, a Form 3100, Nomination and Designation of Participant, was completed. Such forms, with supporting documentation where applicable, were forwarded to the CIA Retirement Staff for appropriate processing.

An important requirement for participation in the System is the employee's acceptance of a written undertaking obligating him to serve anywhere and at any time according to the Agency's needs.

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A special Service Agreement was developed for this purpose and approved by the Board. It was determined, however, that an employee's previous Application for Membership in the Career Staff of the Central Intelligence Agency may be used in lieu of a newly executed Service Agreement in those cases where the nominee has over 15 years of Agency service, or is not available to sign such an Agreement, or, in the discretion of the Head of the Career Service, any other case.

Normally, designation of an employee with less than 15 years of Agency service to the CIA system will be largely an administrative action on the direction of the Director of Personnel who acts on the recommendation of the Head of the individual's Career Service. While the procedure provides for prior notification and individual appeal to the Director, the action of designation to the CIA system, in contrast to the choice made by the employee in the CIA system at the conclusion of 15 years of Agency service, is not a critical milestone in the career of an Agency employee with less than 15 years of Agency service. Its importance stems from the fact that this action constitutes the formalization of status as a participant in the CIA system. For the employee who has already achieved a minimum of 15 years of Agency service, who is otherwise qualified, and who is designated to become a participant in the CIA system, notification of his designation will in fact

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coincide with his opportunity to exercise the choice provided for at the 15th anniversary of the employee already in the CIA system.

Any individual who has 15 or more years of Agency service and is otherwise qualified for participation in the CIA system but who has less than 5 years of "qualifying service" will not be designated to the system until he has completed his 5 years of "qualifying service." Once this requirement is met, his Career Service may nominate him for designation if he is still otherwise eligible. He must then exercise his choice between remaining in the CIA system or completing his Agency service under the Civil Service system.

Any individual who is already eligible for optional retirement under the Civil Service Retirement System and who is also qualified to be designated a participant in the CIA system may exercise the choice of becoming a participant and immediately retiring under the CIA system. However, there are a few cases in which Civil Service annuity would be larger than a CIA annuity because the maximum annuity is higher under Civil Service (80% rather than 70%). Generally, the higher maximum annuity makes the Civil Service Retirement System more favorable to the employee who has 36 years and 10 months or more of service. The CIA Retirement Staff in processing these cases will advise the individual of the respective annuities.

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After making a choice to remain within the CIA system on or after the 15th anniversary of Agency service, a participant may not as a matter of right elect to return to the Civil Service Retirement System. However, as a matter of policy, the CIA Retirement Board has agreed that a participant who, at his mandatory retirement date under the CIA Retirement System, would receive a larger annuity were he retired under the Civil Service Retirement System, may apply to be transferred to that system. This situation can only arise with an employee who will have more than 36 years and 10 months of creditable Federal service at his mandatory retirement date. Since the transfer would be for the sole purpose of providing the employee who has such seniority in Federal service with a larger annuity, he will be expected to retire by the end of the month in which he reaches his mandatory retirement date had he remained in the CIA Retirement System. The Civil Service Retirement System requires that an employee must have been under that system for at least one year during the two years immediately preceding retirement under that system. Therefore, a participant who desires to apply for transfer to the Civil Service system for the purpose of receiving a larger annuity under the conditions described above, should do so approximately 15 months before his scheduled retirement date.

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C. Establishment of the Retirement Branch

The Director of Personnel determined that certain organizational changes and reallocation of responsibility in connection with the many aspects of retirement under both the Civil Service and the CIA Retirement and Disability Systems was necessary in order for the Office of Personnel to effectively discharge its responsibilities for these substantive programs.

Accordingly, effective 20 September 1965, a new branch to be identified as the Retirement Branch was established in the Benefits and Services Division. The Retirement Branch would be responsible for the following:

- (1) Various aspects of retirement for employees covered by the Civil Service Retirement Act, as are now handled in the Benefits and Counseling Branch;
- (2) Preretirement planning and counseling for employees covered by the Civil Service Retirement Act, as now performed by the Executive Secretary, Agency Retirement Board; and
- (3) Preretirement planning and counseling for employees covered by the CIA Retirement and Disability System.

Preretirement planning and counseling for employees covered by the CIA Retirement System was a new function for BSD, and it was necessary for the Chief, BSD and the Chief, CIA Retirement Staff to develop implementing procedures for the integration of the program.

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The new Retirement Branch was staffed by personnel assigned to retirement matters in the Benefits and Counseling Branch and the CIA Retirement Staff. The Executive Secretary to the Agency Retirement Board was appointed Chief of the Retirement Branch.

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D. Policy Revision of 29 May 1967

The Federal Salary and Fringe Benefits Act of 1966 included certain changes in retirement which prompted the Agency to review its retirement policy for employees covered by the Civil Service Retirement Act. The specific retirement changes were:

- (1) Optional retirement on full annuity at age 55 with 30 years of service. Prior to the change, retirement at age 55 with at least 30 years of service was permitted, but the retiree's annuity was reduced by 1% for each year he was under age 60.
- (2) Optional retirement at age 60 with 20 years of service. Prior to this change, the employee who had less than 30 years of service had to wait until age 62 before he could retire optionally.

The present retirement policy has been keyed to a standard of retirement on a full annuity, i.e., employees are expected to retire when eligible to do so with no reduction in annuity for age. The policy has affected those employees at age 60 with 30 years of service or at age 62 with at least 5 years of service so that since 1959 the Agency has considered age 60 as a normal retirement age. In implementing this policy, the Agency long has recognized its departure from Government-wide practice where, under Civil Service retirement, the mandatory retirement age is 70 with 15 years of service. The present

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policy not only became an accepted management tool but the Agency experienced no external consequences, criticisms, or other political disadvantages. It was determined that broadening the current policy to include the new option of retirement at age 60 with 20 years of service should create no new problem for the Agency since such action merely extended current policy.

On 29 May 1967, [redacted] was revised to incorporate this new policy. Paragraph 44-b reads as follows:

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"POLICY. The Agency encourages employees to retire voluntarily upon reaching age 60 or as soon thereafter as they are eligible for optional retirement under the Civil Service Retirement System. Employees are, therefore, expected to plan to retire upon completion of 20 years of service at the age of 60 or after a minimum of five years of service at the age of 62."

The original Agency Retirement Board which was established in 1960 to handle matters concerned with Civil Service Retirement was abolished and these functions were transferred to the CIA Retirement Board [redacted] d.). This change-over operated very smoothly because the Executive Secretary of the Agency Retirement Board was also the Chief, Retirement Branch and there were two members of the CIA Retirement Board who were also members of the abolished Agency Retirement Board so that there was a certain amount of continuity during the transition.

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